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Before the
Federal Communications Commission
Washington, D.C. 20554

DEC - 6 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Simplification of the)
Depreciation Prescription)
Process)

CC Docket No. 92-296

PETITION OF BELL ATLANTIC FOR RECONSIDERATION

The Bell Atlantic telephone companies¹ ("Bell Atlantic") respectfully request reconsideration of the Commission's order adopting alternative procedures for depreciation prescription.² The Commission's stated goals in its order were "simplification of the process, administrative savings, and flexibility."³ The terms of the Commission's order fail to meet those goals.

As set forth in the United States Telephone Association's ("USTA") Petition For Reconsideration, the best way to meet those objectives is to adopt Option D, the Price Cap Carrier Option. Bell Atlantic supports the USTA petition and its arguments that the Commission reconsider adoption of Option D.

Should the Commission decide to remain with its decision to

¹ The Bell Atlantic telephone companies are the Bell Telephone Company of Pennsylvania, the four Chesapeake and Potomac telephone companies, the Diamond State Telephone Company, and New Jersey Bell Telephone Company.

² *Simplification of the Depreciation Prescription Process*, CC Docket 92-926, Report and Order (October 20, 1993) (hereinafter, "Depreciation Order").

³ Depreciation Order at ¶ 3.

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adopt the Basic Factor Range Option,⁴ there are two modifications that would move this option substantially toward the Commission's goals without sacrifice of its ability "to ensure just and reasonable tariffed rates to consumers"⁵: 1) eliminate a study requirement to move into a range; and 2) eliminate the requirement to provide mortality analysis to support curve shapes for accounts in the range. These two requirements *complicate* rather than simplify the depreciation prescription process, while at the same time they provide no real benefit to consumers or regulators.

1. **There is no need for a study to move into a range that has already been determined by the Commission to be reasonable.**

Under the Basic Factor Range Option, "the Commission would establish ranges for the basic factors that determine the parameters used in the depreciation rate formula."⁶ The Order argues that the option is "simpler than the current process because it eliminates the need for LECs to file and the Commission to review extensive data submissions for range accounts."⁷

Under the Commission's order however, Bell Atlantic *would* have to file extensive data submissions if either basic factor lies

⁴ Even if the Commission were to temporarily remain with the Basic Factor Range Option, the Commission correctly recognizes that such a decision must be reevaluated based on the outcome of the LEC price cap review. Depreciation Order at ¶ 43. Regardless of the outcome of that review, it is reasonable to expect that further simplification will take place over time.

⁵ Depreciation Order at ¶ 3.

⁶ Depreciation Order at ¶ 24.

⁷ Depreciation Order at ¶ 26.

outside of the established range.⁸ The Commission maintains this requirement notwithstanding the fact that the Commission already determined the range is reasonable, that the Company would have to justify not using the range, and that other companies with accounts in the range would not have to make a similar filing.

This requirement serves no regulatory purpose. The determination of reasonableness for the ranges has already been made.⁹ Moreover, Bell Atlantic has not opposed the Commission requirement that a company continue to analyze basic factors and maintain such analyses.¹⁰ The Commission or any interested state regulator could always request supporting information, should the appropriate circumstances warrant.

By placing the burden on companies to justify moves into the ranges, the Commission has actually increased the regulatory burden in some circumstances. For example, the 1992 Depreciation Study Guidelines allowed the use of a simplified procedure that did not require a full study for certain small accounts.¹¹ The Commission's current order makes no such exception and may therefore require more total information than was required in 1992.

⁸ See Depreciation Order at ¶ 29. There was no suggestion of this requirement in the Notice of Proposed Rulemaking (December 29, 1992).

⁹ It is unclear whether the Commission could ever justify denying a company the right to move into the Commission approved ranges, when it gives automatic approval for the same account levels to companies already in the range.

¹⁰ Depreciation Order at ¶ 29.

¹¹ Depreciation Study Guide at H-2, Presented at the 1992 Companies Meeting (August 20, 1991)

In addition, in order for a company to use the ranges, those ranges must reflect the company's basic operations.¹² This requirement applies to accounts whose current parameters are within the range as well as those outside the range. The Commission has apparently correctly concluded that the few pages of information required under the simplified process is sufficient to determine if the ranges are consistent with a company's operations. That being the case, there can be no justification for requiring an additional 20 pages of information to move into the ranges.

For Bell Atlantic, a third of its accounts are outside the ranges set forth in the Order Inviting Comment.¹³ Considerable wasted expense will be required in order to gain the benefit from the current "simplification." Moreover, that benefit will of necessity be delayed. The Commission has set initial ranges for the smaller dollar accounts.¹⁴ Assuming ranges for larger accounts will be established later this year, the first opportunity to move 1994 represcribed companies¹⁵ into established ranges for large accounts will be in 1997. Studies will be required in 1997 for those large accounts that fall outside of the ranges. As a result, the full benefits of simplification will not be realized until the

¹² See Depreciation Order at ¶ 29.

¹³ See *Simplification of the Depreciation Represcription Process*, Docket No. 92-296, Order Inviting Comments (November 12, 1993).

¹⁴ *Id.*

¹⁵ New Jersey Bell and Diamond State telephone companies are due for their triennial represcription in 1994.

year 2000. Clearly the Commission did not intend for companies to wait until the next century to obtain the benefits of depreciation simplification, yet its current order would require just that, and at no regulatory benefit.

2. A requirement for mortality analysis to support curve shapes creates a regulatory burden with no justification.

The Commission's order requires that carriers must submit data supporting their curves, even for accounts within the approved ranges.¹⁶ The Commission justifies the requirement as support for continuance of Equal Life Groups (ELGs), however Vintage Group calculations are impacted by curve shapes as well.

Under either method, however, it would require a drastic shift in curve shape to have any real impact. Such a shift has no historical basis. Indeed, curve shapes typically vary little over time, and the requirement to prepare supporting data is a regulatory burden without any corresponding benefit.¹⁷

For smaller accounts, the Commission requirements are even

¹⁶ Depreciation Order at ¶ 86.

¹⁷ Three typical examples of curve shapes over time are provided in Attachment 1. The analysis includes three Bell of Pennsylvania accounts (Motor Vehicles, Aerial Cable and Computers) and covers three year bands from 1984 to 1990 -- the data available at the last represcription. For Motor Vehicles, any of the curves produces the same Average Remaining Life (computed on an ELG basis for applicable vintages) -- 4.5 years. For Aerial Cable, the Average Remaining Life is 13.8 years to 13.9 years, creating a depreciation rate difference of 5.49% vs. 5.45%. For Computers, the difference is 3.3 years vs. 3.4 years. Although the 1988 to 1990 band for Computers may appear different, the result is the same due to rounding differences. With the Commission proposed ranges averaging 4.3 years in width, it is difficult to understand how account differences measured in tenths of a year can be significant and justify increased regulatory burden.

more difficult to justify.¹⁸ Under the 1992 Study Guide rules, such analysis was not required to support the existing curve shape of streamlined accounts.¹⁹ To step backwards in the guise of simplification is wrong. To do so, as here, for no benefit to the regulator or customer is preposterous.

For all account sizes, Bell Atlantic again has not opposed the requirement that the supporting information be maintained. Should a regulator have a reasonable basis to question the curve shape of any account, a carrier could provide the appropriate support. To require submission of this support when the curve shape is not questioned (or significantly altered) is simply an exercise in regulatory excess and undermines the Commission's efforts to simplify the prescription process.

Conclusion

The Price Cap Carrier Option provides the best method of simplifying the depreciation prescription process and Bell Atlantic supports the USTA's call for a reconsideration of that process. If the Basic Range Factor Option is maintained by the Commission, the two modifications proposed by Bell Atlantic in this petition would go a long way towards meeting the Commission goals of simplification, savings and flexibility without sacrifice of any

¹⁸ While the impact of minor curve shifts is small regardless of account size, for these small accounts, the impact of the shift is *de minimis*.

¹⁹ Study Guide at H-2.

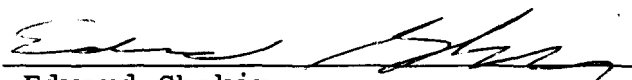
relevant oversight. At a minimum, the Commission should reconsider its order and adopt these modifications.

Respectfully submitted,

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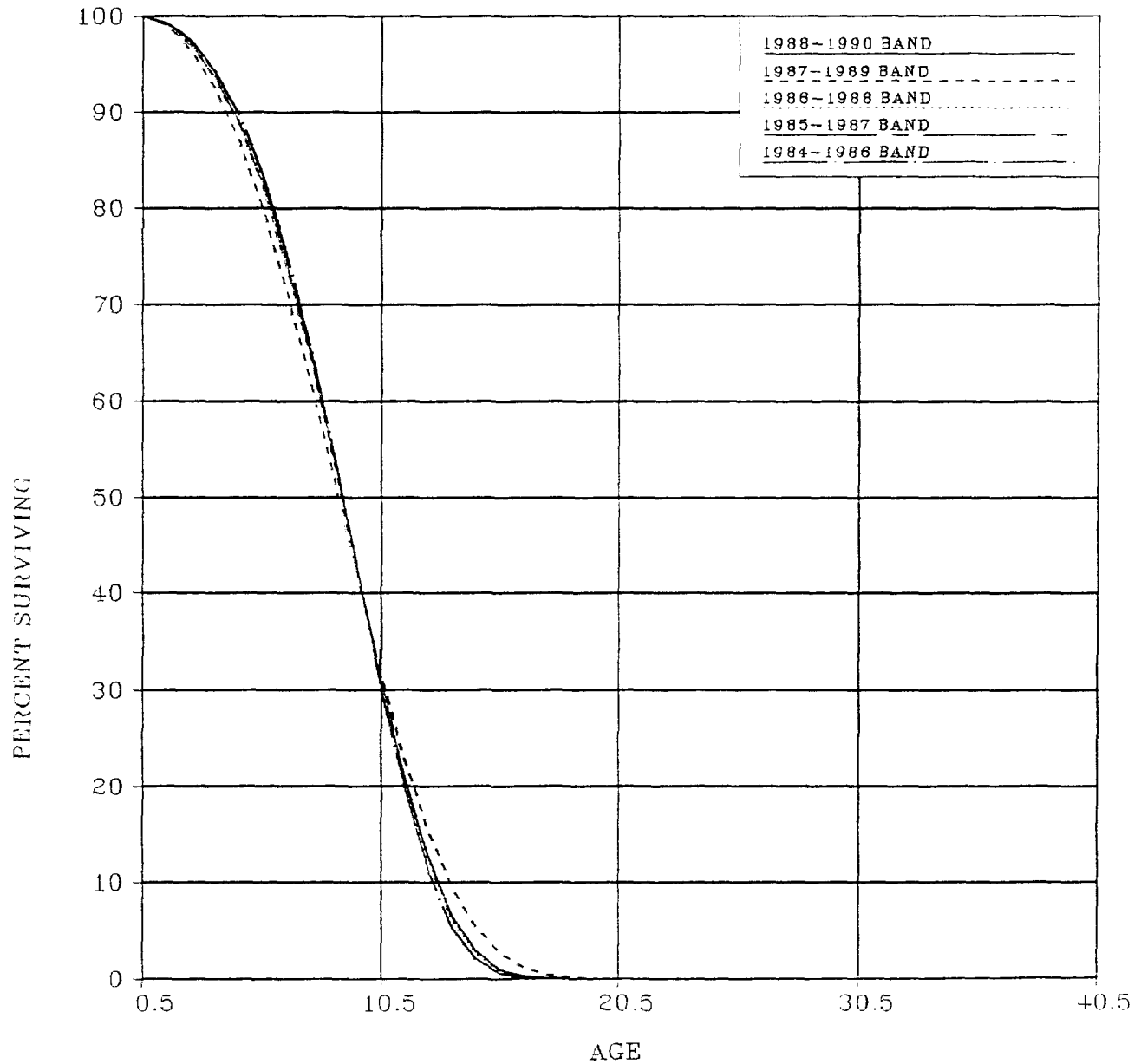
Dated: December 6, 1993

ATTACHMENT 1

DATE: 11/24/93
TIME: 09:55 AM

COMPANY: BELL OF PENNSYLVANIA
STATE: PENNSYLVANIA
ACCOUNT: 2112
CATEGORY: MOTOR VEHICLES COMBINED

SPECIAL PROJECT
SCALED TO LIFE 8.7

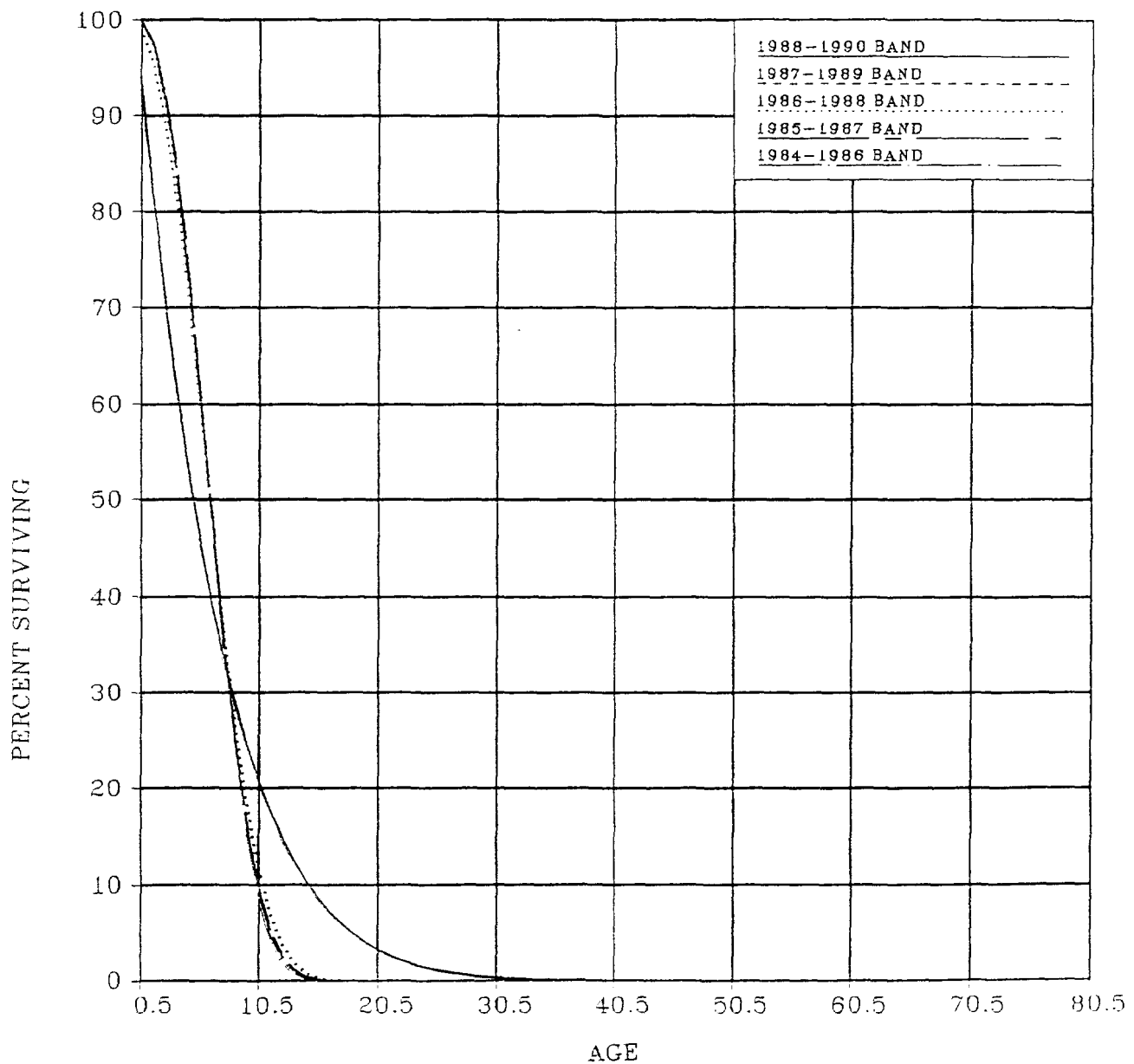


1988-1890 BAND ARL 4.52
1987-1989 BAND ARL 4.54
1986-1988 BAND ARL 4.51
1985-1987 BAND ARL 4.51
1984-1986 BAND ARL 4.51

DATE: 11/24/93
TIME: 09:57 AM

COMPANY: BELL OF PENNSYLVANIA
STATE: PENNSYLVANIA
ACCOUNT: 2124
CATEGORY: GENERAL PURPOSE COMPUTERS

SPECIAL PROJECT
SCALED TO LIFE 6.5

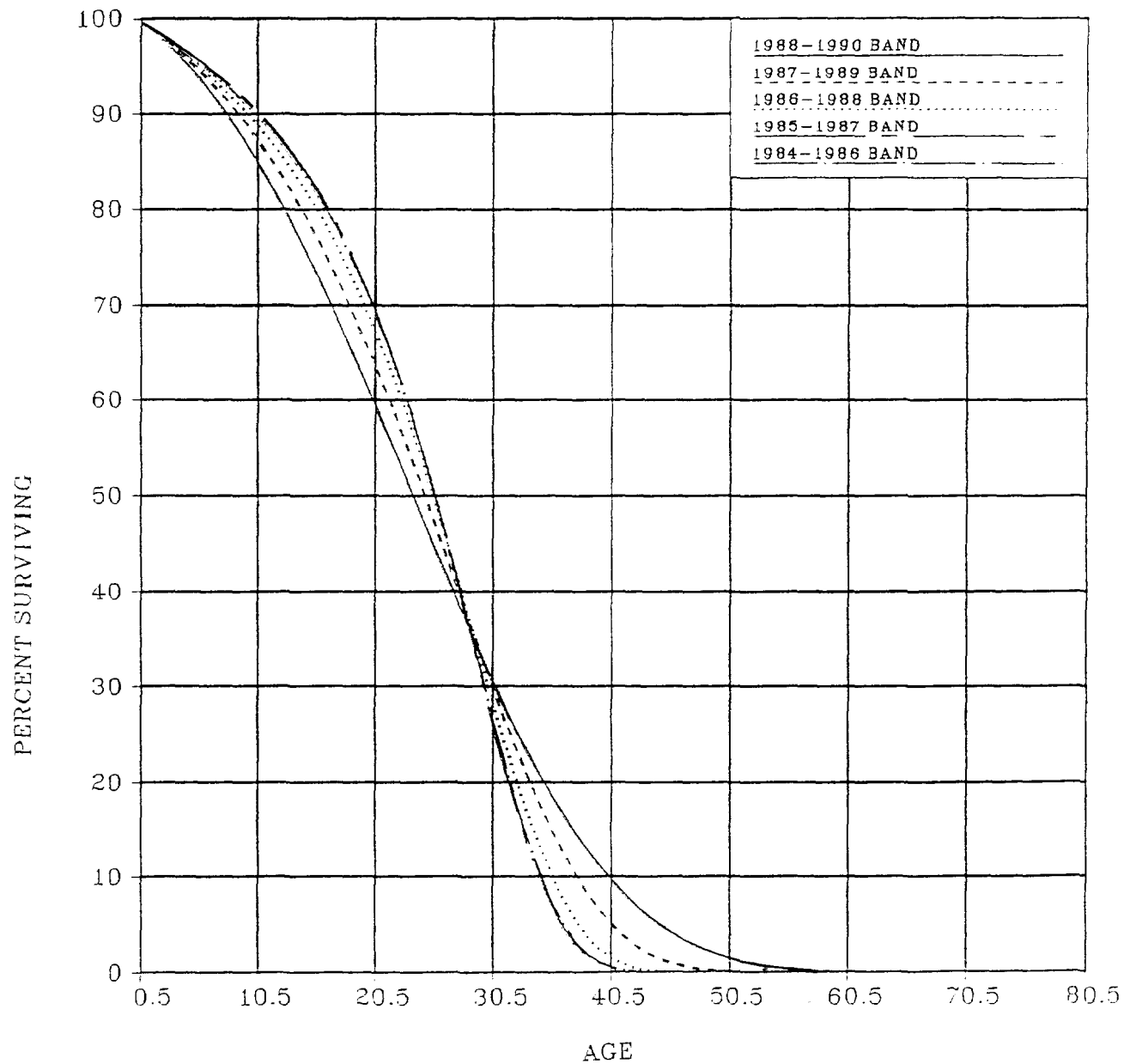


1988-1990 BAND ARL 3.33
1987-1989 BAND ARL 3.32
1986-1988 BAND ARL 3.36
1985-1987 BAND ARL 3.33
1984-1986 BAND ARL 3.33

DATE: 11/24/93
TIME: 09:59 AM

COMPANY: BELL OF PENNSYLVANIA
STATE: PENNSYLVANIA
ACCOUNT: 2421.1
CATEGORY: AERIAL CABLE - METALLIC

SPECIAL PROJECT
SCALED TO LIFE 24.0



1988-1990 BAND ARL 13.83
1987-1989 BAND ARL 13.86
1986-1988 BAND ARL 13.88
1985-1987 BAND ARL 13.90
1984-1986 BAND ARL 13.89

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Petition of Bell Atlantic for Reconsideration" was served this 6th day of December, 1993, by first class mail, postage prepaid, on the parties on the attached list.



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